

Message Text

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PAGE 01 CANBER 06179 200643Z

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 DODE-00 PA-04 USIA-15 PRS-01 OC-06 CCO-00

USPS-02 OTPE-00 FCC-03 L-03 H-03 DRC-01 /166 W

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4117

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AMCONSUL PERTH

AMCONSUL SYDNEY

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E.O. 11652: N/A

TAGS: EINV, EGEN, AS

SUBJ: EFFECT ON INVESTMENT OF FY1975 BUDGET

1. SUMMARY: FY 1975 BUDGET PRESENTED BY TREASURER CREAN SEPTEMBER 17 (REPORTED SEPTTEL) WILL HAVE ONLY MARGINAL EFFECT ON LEVELS OF INVESTMENT, FROM BOTH DOMESTIC AND OVERSEAS SOURCES, IN COMING YEAR. WHAT DIRECT AND INDIRECT EFFECTS IT WILL HAVE, HOWEVER, WILL BE NEGATIVE. END SUMMARY.

2. MAJOR ASPECTS OF BUDGET AFFECTING INVESTMENT INCLUDE:

(A) TEN PERCENT TAX SURCHARGE WILL BE LEVIED ON PROPERTY INCOME (RENT, DIVIDENDS, ETC.) BASED ON AVERAGE TAX RATE PAYABLE ON TOTAL TAXABLE INCOME UNDER ORDINARY RATE SCHEDULE.

(B) CAPITAL GAINS TAX WILL BE INTRODUCED FOR GAINS ACCRUING AFTER SEPTEMBER 17. TAX WILL APPLY TO GAINS REALIZED FROM DISPOSAL OF

UNCLASSIFIED

PAGE 02 CANBER 06179 200643Z

ASSETS, CAPITAL OTHERWISE DERIVED FROM ASSETS, FOREIGN EXCHANGE

TRANSACTIONS AND PURCHASE OF DEBENTURES BY THEIR ISSUERS.
COMPANIES WILL PAY 33.5 PCT. RATE WHILE INDIVIDUALS WILL INCLUDE
HALF OF NET CAPITAL GAINS IN TAXABLE INCOME AT REGULAR RATES.
HOWEVER, FULL-INCOME TAX RATES WILL APPLY FOR BOTH COMPANIES
AND INDIVIDUALS ON GAINS REALIZED FROM SALES OF LAND WHICH REFLECT
ACTUAL OR POTENTIAL CHANGE IN LAND USE.

(C) TAX DEDUCTION ALLOWED TO LIFE INSURANCE COMPANIES UNDER
SECTION 115 OF INCOME TAX ASSESSMENT ACT WILL BE CUT FROM 2 TO
1 PERCENT OF CALCULATED LIABILITIES.

(D) VARIOUS CHARGES AND TAXES PAID BY COMPANIES, AMONG OTHERS,
WILL BE RAISED, NOTABLY POSTAL RATES, TELECOMMUNICATIONS
CHARGES, RAILWAY FREIGHT RATES, PRIVATE COMPANY TAX AND PAYROLL
TAX FOR EMPLOYERS IN TWO FEDERAL TERRITORIES.

3. EMBASSY COMMENT: ASIDE FROM ABSENCE OF ANY MEASURE AIMED AT
DELIBERATE STIMULATION OF PRIVATE INVESTMENT FY1975 BUDGET WILL
HAVE ONLY marginally negative effect on future investment.
SURCHARGE ON PROPERTY INCOME APPEARS TOO SMALL TO DEPRESS
APPRECIATLY SAVINGS VERSUS CONSUMPTION, WHILE NEW CAPITAL GAINS TAX
WILL HAVE LITTLE IMPACT IN SHORTER TERM. BUDGET IS CLEARLY
NOT DEFLATIONARY BUT ONLY MODERATELY EXPANSIONARY AND TAILORED
TO DIRECT AUSTRALIAN ECONOMY ALONG ITS PRESENT PATH OF MODERATE
GROWTH. OTHER FACTORS OUTSIDE BUDGET (E.G. BALANCE OF PAYMENTS
PERFORMANCE AND MONETARY POLICY) SHOULD HAVE A MORE SIGNIFICANT
IMPACT ON FUTURE INVESTMENT WHICH IS DIFFICULT TO FORESEE AT
THIS STAGE.
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